



**CITY OF SCOTTSDALE
DESERT DISCOVERY CENTER PHASE III FEASIBILITY COMMITTEE**

WEDNESDAY, DECEMBER 14, 2011

**ARIZONA STATE UNIVERSITY SKYSONG
ROOM 201, GLOBAL
1475 NORTH SCOTTSDALE ROAD
SCOTTSDALE, ARIZONA 85257
MINUTES**

MEMBERS PRESENT: Mike Nolan, Chair
Patrick Weeks, Vice Chair
Nancy Dallett
Melinda Gulick (arrived at 7:35 a.m.)
Ken Travous

STAFF: Kroy Ekblaw
Lusia Galav
Joe Padilla
Bill Peifer
Bob Tunis

GUESTS: Jim Bruner
Dan Gruber
John Sather

Call to Order/Roll Call

Chair Nolan called the meeting of the Desert Discovery Center Phase III Feasibility Committee to order at 7:32 a.m. A formal roll call confirmed a quorum of members present as stated above.

1. Approval of Minutes

- Regular Meeting: December 7, 2011

Committee Member Dallett clarified that a comment attributed to Committee Member Travous in the third paragraph of page 4 was actually hers. She requested deletion of two sentences in the last paragraph of agenda item 2.

COMMITTEE MEMBER TRAVOUS MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF DECEMBER 7, 2011 AS AMENDED. COMMITTEE MEMBER DALLETT SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER GULICK WAS NOT YET PRESENT.

2. Agenda Items

- Discussion and Possible Recommendation Regarding the Phase II Business Model

The Committee Members shared aspects of the feasibility study they felt were at biggest risk. Chair Nolan said the single most critical decision will come in hiring someone with the leadership qualities necessary to bring the project to reality. He also expressed concern about the lower end revenue estimate, and questioned whether the DDC could operate under those circumstances without requiring phasing.

Committee Member Travous said it will be important for the DDC to open strongly with enough organizational cohesion to succeed. The DDC will need to perform certain activities in the evening hours. Mr. Ekblaw stated that staff is confident that they can create a defined envelope that would allow for activity at alternative hours, and be completely separate from the greater Preserve. If the Committee believes that the DDC should have nighttime activity, then they should proceed with the assumption that it is possible. He suggested that one of the Committee's recommendations could be to amend the Preserve Ordinance to allow for nighttime activity. Staff could then develop an amendment that would be contingent upon funding being secured for the DDC before it would take effect.

Committee Member Dallett reiterated her concerns about the attendance numbers being too high. She requested a new projection using the lowest estimate, and reducing it further by 20%. She called into question the viability of the restaurant at opening, and suggested that only café service be provided initially. Over time a destination restaurant can be developed. Her third concern was the projected revenues for facility rental fees, and she suggested that these estimates also be reduced by 20% from the lowest estimate. It is important to get the numbers right, since the shortfall between earned revenue and total expenses would require an annual fundraising goal that could be unachievable.

Committee Member Dallett felt that the immersive theater experience should also be reconsidered, and the budget reduced accordingly. The message and the scale of the immersive experience seem to be antithetical to the mission and the values of the DDC. Instead of entertainment technology taking a dominant position over nature, more thought should be put into strengthening the mission and the values of the DDC as expressed in the film.

Vice Chair Weeks felt that the DDC would only become a reality if clear leadership is identified as soon as possible. The size of the staff can be adjusted as the project develops. The DDC will require a huge capital expense, but overall it can be a viable project with good leadership. The Committee should make a recommendation to create the 501(c)(3) organization immediately. Another concern is over the aggressive revenue

projections of Phase Two. He felt they should be far more conservative, and suggested reducing the lowest estimates by 28%. The projection should determine whether the DDC could operate with a budget of only \$5 million. The DDC should have the freedom to engage in nighttime and early morning programming. This proposal has to be right because the DDC will likely only have one shot with the voters.

Committee Gulick felt that the most important component was the operator. The operator's relationship with the owner of the land will be key to the success of the facility. The City Council has some oversight responsibility related to the contract, but if they get involved in the management of an independent non-profit organization, it could create a dangerous situation. The organization needs to have freedom to operate without answering to the MSPC or relying on the City Council for daily decisions.

Committee Member Gulick addressed concerns about the immersive experience taking precedence over the natural one. She said there have been many discussions throughout the life of the project on how to strike the right balance between entertaining people with a great experience and remaining authentic. The experience should be a genuine one, but it should also be fun for a broad range of people. The DDC must open with the critical mass necessary, in both the facility and the programming, to become a destination attraction.

Committee Member Travous drew a distinction between left and right brain learning. Facts tend to be acquired through the left brain, while emotions are experienced through the right brain. The best learning comes when both parts of the brain are engaged. Kartchner Caverns uses lights and music to create a moving experience with visitors. If they leave having felt something emotionally, they will better be able to retain the educational part of the tour. Vice Chair Weeks advocated on behalf of the effectiveness of immersive experiences, but said it will be up to the DDC leadership to determine whether the facility offers one, not the Committee. Chair Nolan agreed.

Vice Chair Weeks inquired about the process of forming a 501(c)(3) organization. Mr. Ekblaw explained that the City would use a transparent RFP/RFQ process. All groups would have the opportunity to come forward with a proposal, which might require initial private funding to match whatever public funding becomes available. The organization would be expected to operate with a Preserve Ordinance amendment, a zoning amendment, would have to address the feasibility study concepts, and operate without relying on the City to cover yearly shortfalls. The timing for a decision on the RFP would likely occur within the next 12 to 24 months.

Committee Member Gulick reported that the Arizona Community Foundation has agreed to pool money for the DDC in the short term, not for capital construction funds, but for ongoing costs like an Executive Director's salary, and for the capital campaign feasibility study. Questions remain about how to best time the process, however.

Chair Nolan reviewed that the Committee is primarily concerned about the leadership and the economic projections, particularly the operation projections. One the one hand the project has to launch with enough critical mass, but not be so large as to hamstring the organization with more capital buildings than a \$5 million budget could handle. He felt it would be interesting to have Bob Brais explore the expense side again using a lower revenue number that assumes that all areas will produce below expectations.

Committee Member Travous said the information would also help the eventual operator understand where their limits are.

Committee Member Gulick said the business plan should also consider the impact that a \$5 million budget would have on the facility, the programming and the staffing, and whether a viable organization could be created from it. Chair Nolan agreed. Committee Member Travous clarified that the Committee does not doubt Mr. Brais' numbers, but simply wants to understand what would happen in a wider variety of circumstances. Chair Nolan said he does not anticipate that the DDC would float along on \$5 million per year for very long, but rather than proposing a plan that would have to draw on its reserve from the beginning, the Committee would prefer to see the DDC grow to full potential from a smaller feasible start.

- Discussion on the Museum of the West with Guests Jim Bruner and Mike Fox

Joe Padilla of the City Attorney's Office reminded the Committee that the City has an active RFP in place for the Museum of the West. He advised Committee Members to only ask questions that stick to the agenda, and not discuss the processes that were involved in the bidding.

Jim Bruner, a volunteer for the Museum of the West, said there has long been a feeling that Scottsdale needs to do something to retain its image as the West's Most Western Town. When an agreement with the Buffalo Bill Museum in Cody, Wyoming fell through, a group of citizens began raising money for a feasibility study to determine whether a museum could be built that would help invigorate the downtown art gallery scene.

Mr. Bruner said the museum group visited the best museums in the country, and found inspiration in the Abraham Lincoln Presidential Library and Museum in Springfield, Illinois. The exhibits there are interactive and immersive, in the same way envisioned for MOW. The American West is filled with stories that made it a unique and special time. The museum would explore the historical West and put it into context with the modern city. MOW has developed relationships with 17 institutions dealing with Western artifacts and history, and plans to extensively exchange exhibits with them.

Mr. Bruner said Mike Fox was hired as MOW's Executive Director in 2007, based on his experience in opening new museums. Shortly after he was hired, however, the stock market crashed and the economy went into recession, hurting the fundraising effort. The City of Scottsdale has allocated 10% of the bed tax for a museum. The museum is continuing to negotiate with the City. There are a significant number of art collections in Scottsdale, many of them private and never seen by the public. One individual is considering making a permanent loan to the City of a collection worth \$15 million. Scottsdale recently lost a major collection that moved out of state, and others would consider moving as well if the museum is not built.

Committee Member Gulick said the Museum of the West is compatible with the DDC, though both have taken different paths to this point. She inquired about hiring an Executive Director. Mr. Bruner said Mike Fox has made a tremendous difference. He has built seven museums around the country. He has identified collections and established relationships with other institutions. Without him, the project would be dead. He advised hiring an Executive Director for the DDC as soon as money is available.

Chair Nolan asked whether the MOW would be developed in phases. Mr. Bruner said the Phase One facility is projected to share the same footprint as a constructed parking garage. Phase Two is an expansion at the transit center, using private money. The museum building can be built for \$10.3 million. An operating budget has already been submitted to the City. The museum is at a critical stage and will have to become a reality soon, or risk losing several important collections.

- Review DDC Phasing Options

Bill Peifer said staff has been working on ways to maintain the DDC's spectacular concept while offering more flexible budgeting options. One idea was to reduce the number of buildings, while retaining the concept of the desert pavilions. A 10% to 20% reduction in the budget would risk impacting the DDC's effectiveness. Vice Chair Weeks doubted that the reduction of the DDC's footprint would have a sizeable impact on the annual operating costs. Mr. Peifer agreed, adding that it would likely only result in a 1% or 2% drop in operating costs. Because of the construction slump, it could be advantageous to build the DDC now, without necessarily occupying it right away. Committee Member Dallett felt that this decision should be left for the DDC leadership.

- Action and Possible Recommendations to City Council on the Funding and Phase II Study Concepts.
- General Discussion

Chair Nolan said he would like to have Bob Brais take another look at the operating budget given a revenue assumption of around \$5 million, and carefully noting the expense side. The Committee should take another look at the phasing options in light of his response.

3. Staff and Committee Updates (A.R.S. 38-431.02(K))

Lusia Galav distributed the tentative 2012 meeting date schedule and timeline. The Committee has already made formal recommendations on the management model and the land use option. Remaining major recommendations are for the funding program, validating the Phase Two business model, the architectural concepts, and the program concepts. The Committee has January, February and March to work with.

4. Public Comment (A.R.S. 38-431.02 (K))

Dan Gruber said the person hired to bring the DDC to fruition does not necessarily have to be the same person who becomes the long-term Executive Director of the institution. It is important to make that distinction. He suggested that the Committee ask that all the exhibits be reconceived within the confines of the budget. The exhibits are several years old already and technology is advancing rapidly. He recommended that Mr. Brais assume that the total revenue from all sources will be roughly \$5 million, and see whether he can conceive of an expense structure that would allow the institution to break even, being mindful that implicit in that assumption is lower attendance and facility rental

numbers. The DDC Committee should consider being involved in developing the RFP and the selection process, since no group is more knowledgeable at this point.

5. Identification of Future Agenda Items

The Committee targeted their next two meetings for January 11 and 27.

6. Adjournment

With no further business to discuss, the Committee meeting adjourned at 9:10 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.